

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 L-03 H-02 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 /083 W

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R 170715Z JUL 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 621

INFO AMEMBASSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 4174

E.O. 11652: GDS

TAGS: EINV, MY

SUBJ: TRADE MINISTER CLARIFIES INTENT OF INDUSTRIAL COORDINATION

ACT (ICA)

REF KL 3385

1. FOLLOWING MEETING WITH MALAYSIAN-CHINESE ASSOCIATION  
ACTING PRESIDENT LEE SAN CHOON AND OTHER MCA MP'S, MIN-  
ISTER OF TRADE AND INDUSTRY HAMZAH ISSUED STATEMENT  
CARRIED FRONT PAGE NEW STRAITS TIMES JUL 15 THAT ALL  
EXISTING MANUFACTURING INDUSTRIES WILL RECEIVED AUTOMATIC  
APPROVAL OF LICENSES TO COUNTINUE OPERATIONS UNDER TERMS  
ICA. ONCE ISSUED, LICENSES WILL NOT REQUIRE RENEWWK.  
MANUFACTURERS WILL HAVE ONE YEAR FROM IMPLEMENTATION OF  
ACT TO OBTAIN LICENSES.

2. MINISTER HAMZAH IS FURTHER REPORTED SAYING THAT MANU-  
FACTURERS WILL BE GIVEN TIME TO STUDY ACT AND EXPRESS  
THEIR VIEWS, THAT DOUBTS AND FEARS OF ACT WILL BE AL-  
LAYED WITH DRAWING UP OF REGULATIONS NOW UNDERWAY IN  
MINISTRY TRADE AND INDUSTRY AND THAT AFTER APPROVAL OF  
REGULATIONS, IMPLEMENTATION DATE OF ACT WILL BE PROMUL-  
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GATED IN GAZETTE.

3. HE ALSO NOTED MUCH MISUNDERSTANDING OF INTENTIONS OF ACT AND STATED THAT IMPLEMENTATION WOULD BE FAIR AND REALISTIC TO ENSURE HEALTHY DEVELOPMENT OF INDUSTRIES.

4. MINISTER HAS SCHEDULED MEETINGS WITH ALL MAJORE CHAMBERS TO FURTHER EXPLAIN INTENT OF ACT.

5. COMMENT. AUTOMATIC LICENSING OF ALL EXISTING MANUFACTURING FIRMS SHOULD GO LONG WAY IN RELIEVING CONSIDERABLE BODY OF CONCERN, HELD PARTICULARLY BY MALAYSIAN-CHINESE FIRMS, AND ALSO BY THOSE FOREIGN FIRMS WHICH DID NOT GO THROUGH FIDA PROCESS, REGARDING INTENT OF ICA. MINISTER HAMZAH EARLIER HAD PUBLICLY STATED THAT PURPOSE OF ICA IS TO GIVE GOM LEGAL MECHANISM TO CONTROL ENTRY OF NEW INVESTMENT WHICH DOES NOT RE-CEIVE BENEFITS OF INVESTMENT INCENTIVES ACT, BUT MUCH DOUBT STILL REMAINED. IN RECENT CONVERSATION WITH ECON COUNSELOR, HAMZAH NOTED THAT NOTWITHSTANDING HIS EARLIER STATEMENT, MANUFACTURERS CONTINUED FEEL GREAT UNCERTAINTY AND THAT HE INTENDED UNDERTAKE CONSIDERABLE CONSULTATION ON REGULATIONS PRIOR TO PROMULGATION BUT

DID NOT MENTION AUTOMATIC GRANTING OF LICENSES. CLEAR EXPRESSIONS CHINESE CONCERN HAD BEEN CONVEYED TO GOM THROUGH CHINESE CHAMBERS OF COMMERCE IN VARIOUS STATES BUT DECISIVE INPUT APPEARS TO HAVE COME FROM HAMZAH MEETING WITH MCA MP'S. AUTOMATIC APPROVAL OF LICENSES REPRESENTS, OF COURSE, SIGNIFICANT BACKING OFF BY GOM IN THIS KEY AREA OF MALAY-CHINESE RELATIONSHIPS AND, IN ATMOSPHERE OF INCREASING CLAMOR FOR PRO-BUMIPUTRA ACTIONS, SHOULD PROVIDE SOME CREDIBILITY TO PM'S REITERATION IN RECENT UMNO CONVENTION THAT SUCH ACTIONS WOULD NOT BE AT EXPENSE OF NON-BUMIPUTRAS. HAMZAH DECISION ALSO APPEARS TO REFLECT ABILITY OF JUDICIOUS VOICES WITHIN GOM TO PREVAIL ON QUESTIONS BASIC TO CONTINUED VIABILITY OF MALAYSIA.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE LAW, INDUSTRIAL PLANTS, LICENSES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975KUALA04174  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750247-0258  
**From:** KUALA LUMPUR  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750747/aaaabqds.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 KUALA LUMPUR 3385  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 JUL 2003 by BoyleJA>; APPROVED <19 NOV 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRADE MINISTER CLARIFIES INTENT OF INDUSTRIAL COORDINATION ACT (ICA)  
**TAGS:** EINV, MY  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006